

Are you providing the ‘right’ customer experience? The case of Banca Popolare di Bari

Abstract

Purpose - This study proposes to model customer experience as a ‘continuum’, labelled Customer Experience Continuum (CEC). We adopt a customer experience quality construct and scale (EXQ) to determine the effect of customer experience on a bank’s marketing outcomes. We discuss our study’s theoretical and managerial implications, focusing on customer experience strategy design.

Design/methodology/approach – We empirically test a scale to measure customer experience quality (EXQ) for a retail bank. We interview customers using a means-end-chain approach and soft-laddering to explore their customer experience perceptions with the bank. We classify their perceptions into the categories of ‘brand experience’ (pre-purchase), ‘service experience’ (during purchase), and ‘post-purchase experience’. After a confirmatory factor analysis, we conduct a survey on a representative customer sample. We analyze the survey results with a statistical model based on the partial least squares method. We test three hypotheses: 1) Customers’ perceptions of brand, service provider, and post-purchase experiences have a significant and positive effect on their experience quality (EXQ), 2) EXQ has a significant and positive effect on the marketing outcomes, namely share of wallet, satisfaction, and word-of-mouth, and 3) The overall effect of EXQ on marketing outcomes is greater than that of EXQ’s individual dimensions.

Practical implications - Banks should focus their customer experience (CE) strategies on the Customer Experience Continuum (CEC) and not on single encounters, tailoring marketing actions to specific stages in a customer’s CE process. Different organisational units interacting with customers should be integrated into CE strategies, and marketing and communication budgets should be allocated according to CEC analysis. The model proposed in this paper enables the measurement of the quality of CE and its impact on marketing outcomes, thus enabling continuous improvement in customer experience.

Findings - The results of the statistical analysis support the three hypotheses.

Originality/value - The research proposes a different view of customer experience by modelling the interaction between company and customer as a continuum (CEC). It provides further empirical validation of the EXQ scale as a means of measuring customer experience. It also measures the impact of customer experience on a bank’s marketing outcomes. It

discusses the guidelines for designing an effective customer experience strategy in the banking industry.

Keywords - Customer experience, customer experience strategy, customer experience quality, EXQ, service experience, scale development, loyalty, word-of-mouth.

Paper type - Research paper

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Introduction

Customer experience (hereafter CE) is considered the new battleground for companies in today’s economy (e.g., Badgett *et al.*, 2007). Managers, scholars, and researchers agree that customer experience is a crucial strategic component of company success. In order to design effective CE strategies, companies need a clear definition of CE. This definition should enable both the measurement of the quality of customers’ experiences and the effectiveness of CE investments on marketing outcomes. The need for effective CE strategies is particularly important in the financial services market, owing to the consequences of the economic downturn and the subsequent deep transformation of the sector.

Despite the growing attention towards CE, its definition is still vague (Klaus, 2013; Klaus, Edvardsson and Maklan, 2012). Marketing literature defines it broadly (e.g. Meyer and Schwager, 2007), making the measurement of CE a complex task. According to researchers, both, the perception of customer experience quality and its effect on business performance are hard to measure (O’Neill *et al.*, 2002). However, scholars posit a possible strong link between CE and profitability (e.g., Verhoef *et al.*, 2009). CE is expected to have a great impact on business performance (Prahalad and Ramaswamy, 2004) and particularly on marketing outcomes, such as customer satisfaction, loyalty, and word-of-mouth (Camarero, 2007; Verhoef *et al.*, 2009). However, existing literature on the impact of customer experience on consumer behaviour is largely descriptive, and focuses on exploring the ‘what’ rather than the ‘why’ (Weed and Bull, 2004). Firms still typically measure CE against service quality criteria, which has proved to be an insufficient approach (Maklan and Klaus, 2011). Recently, Klaus and Maklan (2012) developed a measure of customer experience quality (EXQ) that addresses the limitations of traditional service quality measurements. However, their EXQ model has limited empirical validation, and further testing is required and encouraged. The scale has been tested in one study on high-impact purchases (Klaus and Maklan, 2012), and two other hedonic and mass-service settings (Klaus and Maklan, 2013). As a consequence, the problem of determining a method to measure the impact of EXQ on the main marketing outcomes and to design a corresponding CE strategy still remains a challenge in need to be addressed (Klaus 2013).

This study extends and expands existing CE research by making the following key contributions to literature, and to management practice.

1. It proposes a different view of customer experience by modelling the customer-company interaction as a *continuum*.
2. Based on this model, it follows the approach outlined in the literature and validates the EXQ scale through a case study in the banking industry.
3. Using the scale, it measures the impact of CE on the main marketing outcomes and discusses the managerial implications of the results for the design of customer experience strategies.

Theoretical framework

Over time, marketing literature has shifted across different paradigms. First, its focus shifted from creating fast-moving consumer product brands to building rewarding customer relationships through service marketing. This paradigm shift—from product brand to service-based relationship marketing—occurred in the 1990s, when focus moved toward building long-term rewarding company-customer relationship based on the ‘value-in-use’ of goods (Macdonald *et al.*, 2009). More recently, a second paradigm shift occurred, in the 2000s, when focus moved away from service-based relationship marketing and toward the management of CE and delivering compelling customer experiences (Maklan and Klaus, 2011). Schembri (2006) suggested that service quality perception is based on CE, while Berry *et al.* (2006) argued that ‘by definition, a good CE is a good customer service, thus the CE is the service’. Despite the general awareness of this paradigm shift, marketing practices have not kept up (Gordon, 2006). There is now a disconnect between the aims of CE management and the required development of corresponding CE measures (Koenig and Palmer, 2008).

Although interest in CE has grown by a large extent in recent years, it is not a new phenomenon. In order to identify gaps in existing literature, it is therefore useful to review early models of CE, which are mainly based on theories of consumer behaviour. These can be considered in conjunction with the leading methods currently used to measure CE, which are mainly based on the measurement of perceived service quality.

As early as 1934, Parsons suggested that the product utility function alone is insufficient to explain consumer behaviour. Parsons (1934) posited that consumers’ choices are driven by their personal value systems, which lead them to determine whether an experience is

desirable. Therefore, customers buy goods to create desired experiences (Keynes, 1936). Abbott (1955) acknowledged the importance of CE by stating that ‘what people really desire are not products, but satisfying experiences’. Sheppard *et al.* (1988) examined the purchasing behaviour as a rational cognitive process and developed the CAB (Cognition, Affect, Behaviour) theory. CE is described as a sequential evaluation process based on past, present, and expected experiences, in which customers’ behavioural intentions depend on the evaluation of the gaps between past experiences and expectations. The rational perspective involved in the CAB theory has been criticised in other approaches based on emotional aspects and the concept of non-utilitarian consumption (Holbrook and Batra, 1987; Arnould and Thompson, 2005).

The problem of measuring a customer’s perception of experience quality was first faced by Parasuraman *et al.* (1988). Drawing on Churchill’s paradigm (1979), these authors proposed SERVQUAL, a multi-item and context-specific scale for measuring the perceived quality of services. SERVQUAL’s dimensions are reliability, assurance, tangibility, empathy, and responsiveness. The method employed in this measurement focuses on a particular episode in the customer–provider interaction. Customers are asked to assess dimensions in comparison with their prior expectations by using a five-point Likert scale (Morrison Coulthard, 2004).

Although it has been widely applied, SERVQUAL was found to have several limitations as a measure of customer experience. One of these is that its dimensions appear too limited to fully capture CE (Sureshchandar *et al.*, 2002). While CE involves a customer at the rational, emotional, sensorial, physical, and spiritual levels (Gentile *et al.*, 2007), SERVQUAL focuses on the customers’ assessment of features of the service-delivery process (Cronin Jr. and Taylor, 1992; Richard and Allaway, 1993). Other important aspects, such as the ‘value-in-use’ (the mix of utilitarian and emotional factors) of the provided experience, are not considered (Chitturi *et al.*, 2008). Rogers (2005) argues, “we need to learn more about the leading indicators of customer value tomorrow (measurable today)” to “better understand the strong tie between customer equity, enterprise and shareholder value” (p. 263). Regrettably, researchers provide little guidance on how to achieve this purpose (Payne, Storbacka and Frow, 2008). In line with service-dominant logic, we posit CE drives value (Vargo and Lusch, 2008). Moreover, consumers combine multi-channel encounters with a company in the assessment of their experience, taking a longitudinal perspective that is not a simple sum of individual episodes (Sharma and Patterson, 2000; Chandon *et al.*, 2005). Additionally,

customers' perceptions before and after the encounters should be measured in order to achieve a better picture (Berry *et al.*, 2002; Payne *et al.*, 2008).

Several methods have been developed for overcoming the limitations of SERVQUAL, especially in the financial service industry. Bahia and Nantel (2000) proposed the BSQ scale, which is useful for reducing the problems of redundancy and inference among items. Bauer *et al.* (2005) recommended service quality measurement based on the quality of e-banking portals. Using a scale that was created for financial contexts, Lo and Chin (2009) developed the user-satisfaction based system method based on the idea that companies can achieve superior customer satisfaction by modifying its operational processes. Kheng *et al.* (2010) used SERVQUAL to analyse the link between customer satisfaction and loyalty. Using repertory grid analysis, Lemke *et al.* (2010) developed a generalised conceptual framework for customer experience from a cross-industry study involving 40 individuals. They found that experience is generated from three types of encounters, namely communication, service delivery, and usage. These methods represent important contributions to the field of measuring customers' perceptions of CE, and overcome some of the limitations of the SERVQUAL model. However, they were not developed for measuring CE but rather other CE-related constructs, such as loyalty and satisfaction. Therefore, they do not encompass all of the aspects of CE. As a result, the issue of modelling CE and linking it to the marketing outcomes remains a challenge for researchers (O'Loughlin *et al.*, 2004; Reibstein *et al.*, 2009).

The most recent scale to overcome these challenges is the Experience Quality (EXQ) scale (Klaus and Maklan, 2012). EXQ is a multi-dimensional, multi-item scale in which CE is defined as the customer's cognitive and affective assessment of all direct and indirect encounters with a firm, in a purchasing context. The validated EXQ scale addresses some of the limitations discussed above. First of all, it is based on a cognitive and emotional evaluation from the customers' point-of-view, rather than on benchmarks or expectations. Second, it captures the value-in-use of an organisation's offer, and not just the attributes of product and service delivery. Third, it embraces the whole customer experience time frame, that is, before and after the service delivery. Fourth, it concerns behavioural as well as intentional measures.

Despite the growing body of literature on CE, researchers (e.g. Klaus and Maklan, 2012; 2013; Verhoef *et al.* 2009) state that the following important issues need to be addressed: (1) the definition of customer experience is still vague, (2) the EXQ construct has had limited

empirical validation, and (3) measuring the impact of CE on marketing remains a problem. As a consequence, designing a successful customer experience strategy remains a challenge.

Our research makes the following contributions: (a) it proposes a definition of CE based on a model of firm–customer interaction seen as a ‘*continuum*’, (2) it delivers further empirical validation of the EXQ construct in a banking industry case study, and (3) it measures the impact of CE on the main marketing outcomes and discusses the managerial implications of its results for the design of an effective CE strategy.

The rest of the paper is structured as follows. In the next section, we present the conceptual framework used throughout the manuscript. Following this, we describe the methodology used to empirically validate the framework and the main results obtained from our live experiment. The last two sections of the paper focus on discussing managerial findings and insights.

Conceptual framework

In this study, we adopt Klaus and Maklan’s (2012) EXQ scale and based on its theoretical foundation, we model CE as a *continuum*. We propose that the experience of a customer is perceived and assessed through an ongoing process of interactions, including gathering of information, evaluation of offerings, physical interactions, purchases, consumption of services, maintenance, and evaluations after consumption (Morgan, 2007). This definition particularly applies to the retail banking industry, in which customers can be actively involved with the provider for a relatively long period of time. These relationships are dynamic, and managers should carefully analyse how customers’ perceptions change over time.

Customer-bank interactions can be conceptualised as a three-stage journey (Voss *et al.*, 2008). The first stage includes all encounters before the customer purchases a service and is based on perceptions of brand and product value, both independently and in comparison with competitors. Some of these perceptions are out of the providers’ control, such as the influence of other customers’ comments. The second stage includes the encounters that occur during the purchase and/or the service delivery; it is based on delivery quality perceptions, interactions with personnel, and physical settings. The final stage consists of post-purchase and consumption experiences, such as service recovery perceptions. In the CE *continuum* logic (Klaus, 2011), the post-purchase phase constitutes the new pre-purchase phase (Figure 1). We posit that positive experience in the first phase can increase the likelihood of purchase. If a service is delivered in a way that causes a customer to perceive another positive experience,

the customer's loyalty intentions will increase (Zeithaml *et al.*, 1996). If the post-purchase experience is positive, loyalty intentions and the willingness to recommend the provider to other people will increase (Brown *et al.*, 2005). The likelihood of a customer to switch providers also decreases as the customer's number of positive experiences increases (Colgate and Hedge, 2001).

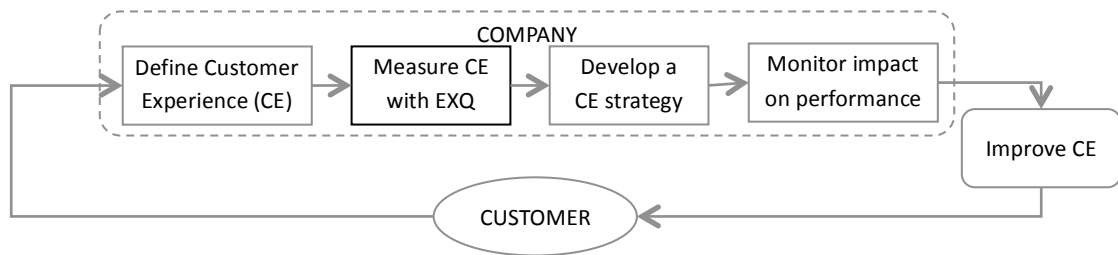


Figure 1. Conceptual framework: Customer experience continuum (CEC)

Our reasons for modelling CE as a *continuum* in this context are fourfold. Firstly, scholars argue that CE is based on all multi-channel encounters occurring before and after the service delivery, and should not be treated as the simple sum of individual service episodes (Sharma and Patterson, 2000; Berry *et al.*, 2002; Chandon *et al.*, 2005; Payne *et al.*, 2008). Secondly, the *continuum* logic is particularly important for services, because customers evaluate the expertise and performance of the service provider over several stages (Zeithaml, 1988; Klaus and Maklan, 2007). Thirdly, financial offerings can be complex and banks need to offer a wide range of services. Thus, relationships with customers are increasingly based on multiple interactions, making it necessary to consider the whole consumption process (pre-, during, and post-purchase) to assess the customers' evaluation criteria (Jamal and Naser, 2002) and to study customer behaviour in depth (Sharma and Patterson, 2000). Fourthly, the recent recession has influenced people's psyches and behaviours in terms of the decision-making process and risk perception (Bennet and Kottasz, 2012). Banks worldwide now face the challenge of creating sustainable, truthful, honest, transparent, and open dialogues with customers (Gritten, 2011), in order to increase loyalty and obtain positive word-of-mouth (Yavas *et al.*, 2004; Jun *et al.*, 2004; Ehigie, 2006; Guo *et al.*, 2008).

Our research will test the hypothesis that customers' perceptions of their experience quality can be effectively measured using our *continuum* model. We aim to demonstrate that addressing all phases, pre-, during-, and post-purchase, at once, rather than singling them out one-by-one, builds a better foundation for explaining consumer behaviour and the

effectiveness of a company's marketing results. We adopt the validated methodology suggested by Klaus and Maklan (2012), using EXQ to measure customer experience in a retail bank context. We adopt a 'means-end' chain approach, as recommended by the literature (Young and Feigin, 1975; Olson and Reynolds, 1983; Zeithaml, 1988; Reynolds and Gutman, 1988). In this approach, the antecedents of EXQ measurement are specific concrete attributes that trigger perceptual attributes, while higher-order abstractions and purchasing behaviour are the outcomes of the process. These perceptual attributes and the resulting dimensions can be evaluated on a scale (e.g. Parasuraman *et al.*, 2005). The methodology follows Churchill's paradigm (1979) and other well-cited scale-developing studies (e.g. Walsh and Beatty, 2007).

Measuring customer experience and its impact on marketing outcomes

Banca Popolare di Bari (BPB) was founded in 1957. Despite beginning in the 1960s as a small local bank, the company grew remarkably over the following years, partially owing to an intense M&A process. Through this process, the bank has acquired a large number of new customers, peaking at a total of 300,000 customers and more than 200 branch offices in 23 provinces and 9 regions of Italy. This makes BPB a medium-sized bank group and one of the most important in Southern Italy. The bank's purpose in participating in this study was to measure the perceptions of the quality of its customers' experience and the quality of its services. The BPB managers also wanted to develop a model that would form the basis for a CE strategy.

In accordance with previous studies (Klaus and Maklan, 2012; 2013), the EXQ scale was developed in four stages: (1) scale generation, (2) initial purification, (3) refinement, and (4) validation against the most important marketing outcomes. The marketing outcomes were identified as loyalty intentions, word-of-mouth, and satisfaction. These stages are briefly described below.

Stage 1 – Scale generation. In this stage, the perceptual attributes of experience were explored through in-depth interviews, using a soft laddering technique (Grunert and Grunert, 1995). The interviews were transcribed, coded, and analysed (Strauss and Corbin, 1998). In order to maximise the content and face validity of the items generated, a panel of experts reviewed the retained item pool (Dagger *et al.*, 2007). They assessed the similarity of items, the clarity of phrasing and the terminology used in the scale, rated each item with respect to its relevance to the item description, and suggested dimensions and sub-dimensions.

Stage 2 – Scale purification. This stage involved the development of the scale with a representative sample of the bank's clients. The scale was purified through Exploratory Factor Analysis (EFA), which summarised the data in terms of a minimal number of factors.

Stage 3 – Reliability and validity assessment. In this stage, the scale was validated and purified by using confirmatory factor analysis (CFA).

Stage 4 – Analysis of results. This stage involved connecting EXQ dimensions to marketing outcomes.

We achieved data saturation (Glaser and Strauss 1967) after conducting in-depth interviews with 25 customers over a four-week period, each interview lasting between 30 to 90 minutes. Data saturation refers to the point at which no new information or themes are observed in the data (Glaser 2002). Guidelines for determining nonprobabilistic sample sizes are sparse, but according to Guest, Bunce and Johnson (2006) our sample exceeds the evidence-based recommendation of 12 interviews. The customers commented on their experiences in dealing with BPB, qualifying them as a judgment sample of persons who can offer ideas and insights into the phenomenon" (Churchill, 1979:67). The interviews were transcribed, codified, and analysed. 58 customer experience items were then identified. The size of the initial set of items is smaller than that of other studies (Brakus *et al.*, 2009; Sweeney and Soutar, 2001). The reason is that subjects in the latter studies evaluated several brands selling different product categories. In our case, subjects evaluated the financial service of one brand. The items were reviewed by a panel of experts who classified the items according to three dimensions. The resulting scale was purified through EFA and the resulting factors were used in a questionnaire containing 55 questions (see Appendix A). These included 34 items representing customers' perceptions that emerged from the qualitative study and 21 items related to three marketing outcomes, namely 'loyalty intentions' (13 items), 'customer satisfaction' (5 items) and 'word-of-mouth' (3 items). The questionnaire was posted online, and made accessible through a link sent by the bank to another, larger sample of randomised customers belonging to the same target group. The questionnaire received 346 qualified responses. The collected results were then used to refine the scale, using CFA. The refined scale contained three customer experience dimensions, represented by 12 items (see Table 1). The three dimensions were labelled as 'brand experience', 'service (provider) experience', and 'post-purchase/consumption experience'. They are briefly described below.

Brand experience (BEX). This dimension concerns the pre-purchasing time frame, the customers' perceptions about the brand, and the attributes and criteria used in the decision-making process. In the process of evaluation of alternative offerings, brand experience reflects customer perception of the bank's product value, pricing, and competitors' offerings.

Service (provider) experience (SPE). This dimension encompasses three themes associated with customer-bank interaction: the bank's physical presence (agency), its personnel, and its policies and practices. The first theme, agency, is related to the process experience and includes items such as the customers' perceptions of the process fluidity and the ease and accessibility of multiple channels, and customer frustration over an instance of malfunctioning. The second theme, personnel, relates to direct evaluations of encounters with the bank's personnel, as with regard to common grounding or the existence of personal relationships. The theme of policies and practices is related to the influence of the setting where the service is delivered.

Post-purchase/consumption experience (PPE). This dimension involves post-purchase customer experiences. It covers perceptions of familiarity, retention, and service recovery.

Table 1 EXQ dimensions and attributes

Dimension	Item	Definition
<i>Brand Experience (BEX)</i>	GUA	I want to have a guaranteed capital, a guaranteed investment.
	INA	I choose them because they give independent advice.
	LOC	It is important to me that the company I am dealing with is "local".
	POR	It was important to me that the bank also took care of all the other products I needed.
<i>Service (Provider) Experience (SPE)</i>	FLE	It was important that the bank was flexible in dealing with me and looking out for my needs.
	NGU	I did not receive any guidance and as a result I will look for someone else in the future.
	POM	I am confident in their expertise, they know what they are doing.
	PRE	It was important to me that the bank also took care of all the other products I needed.
	RES	It was more important to get what I needed than to shop around for a better rate.
<i>Post Purchase Experience (PPE)</i>	CON	I am already a customer; they know me and take good care of me, there is no need for me to go somewhere else.
	PRC	Yes, there are other banks, but I would rather stay with mine, it makes the process much easier.
	RVT	It is not just about the now; this bank will look after me for a long time.

The general research model built in Stage 4 is presented in Figure 2 below. The measure of EXQ is a construct represented by the three dimensions coming from CFA (BEX, SPE, and

PPE), and is reported in Table 1. We modelled the dimensions as latent variables, represented by 12 items (observed measures).

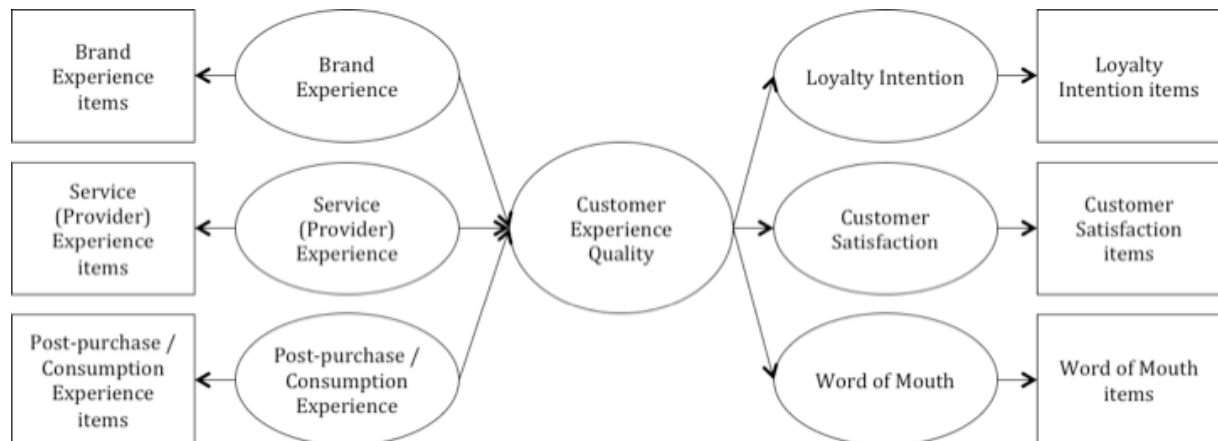


Figure 2. EXQ measurement: Items, dimensions, and marketing outcomes

We also modelled the outcomes as latent variables, represented by 21 items (observed measures). We used previously developed and validated scales measuring customer satisfaction (Dagger *et al.*, 2007), loyalty intentions (Zeithaml *et al.*, 1996), and word-of-mouth behaviour (Brown *et al.*, 2005). We tested the model using the partial least squares regression method. Based on our theoretical framework, we arrived at our first two hypotheses, which are as follows:

1. Perceptions of brand, service provider, and post-purchase experiences have a significant and positive effect on the perception of experience quality (EXQ).
2. EXQ has a significant and positive effect on the marketing outcomes.

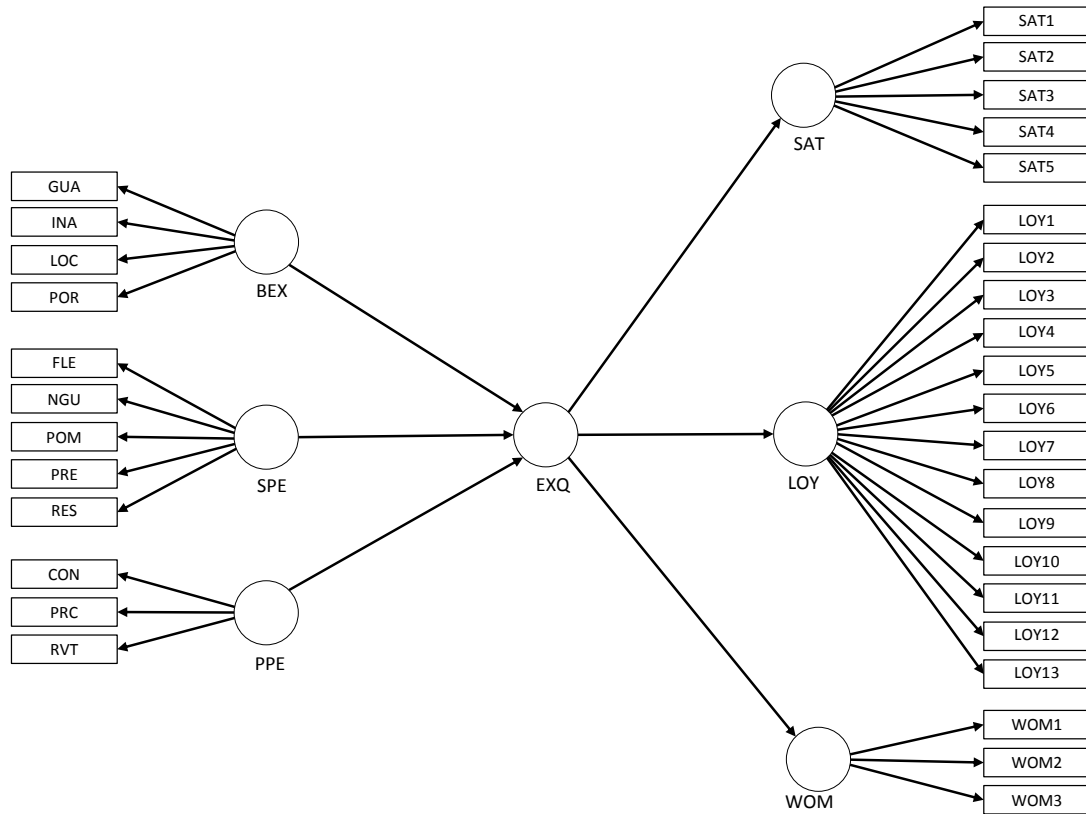


Figure 3. Partial least square regression model to study BEX, SPE, PPE vs. EXQ vs. SAT, LOY, WOM

We built the model depicted in Figure 3 to test our hypotheses. We modelled the EXQ three dimensions (BEX, SPE, PPE) and the three marketing outcomes (SAT, LOY, WOM) as latent variables. The expectation was that the first and the second hypotheses would be true.

As a further means of validation, we also tested a third hypothesis:

3. The overall effect of EXQ on marketing outcomes is greater than that of each individual dimension of CE.

In order to test the third hypothesis, we built an alternative model. We modelled the three dimensions (BEX, SPE, PPE) and the three marketing outcomes (SAT, LOY, WOM) as latent variables and directly linked them to each other, but did not model the EXQ (Figure 4). The comparison between the results of this model and those of the model in Figure 2 allowed us to test the third hypothesis. Our expectation was that modelling EXQ would be better than directly linking customers' perceptions to marketing outcomes as individual items.

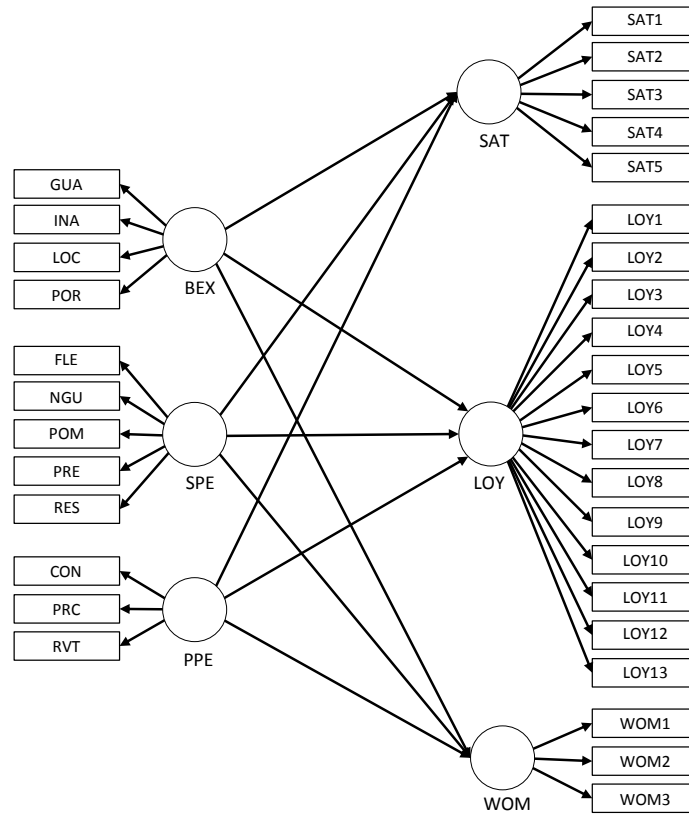


Figure 4. Partial least square regression model to test BEX, SPE, PPE vs. SAT, LOY, WOM, excluding EXQ

Findings

Table 2 and Table 3 report the results of the first model. We found that all of the three dimensions have a positive and statistically significant impact on EXQ (Table 2). The explanatory power of EXQ with regard to the marketing outcomes was found to always be positive and statistically significant (Table 3). These results support the first hypothesis. Perceptions of BEX, SPE, and PPE were found to have a significant and positive effect on the perception of experience quality (EXQ). In fact, the correlations for BEX, SPE, and PPE were 0.61, 0.69, and 0.66, respectively (Table 2). Moreover, the second hypothesis is supported as the EXQ was found to have a significant and positive effect on the three marketing outcomes (SAT, LOY, WOM), with values of 0.75, 0.63, and 0.64, respectively (Table 3). In particular, we found that service experience (SPE) was the dimension that most affected the perceptions of experience quality among BPB customers (0.69 in Table 2). In addition, for BPB customers, the effect of the EXQ on customer satisfaction was higher than that on loyalty intentions and word-of-mouth (0.75 in Table 3).

Table 2 Correlation EXQ and EXQ dimensions

	Brand Experience (BEX)	Service Experience (SPE)	Post-purchase Experience (PPE)
EXQ	0.61	0.69	0.66

Table 4 reports the alternative model's results (Figure 4), demonstrating the effect of each individual dimension on each marketing outcome without considering the mediatory effect of EXQ. The comparison of the results in Table 4 with those in Table 3 demonstrates that the effect of EXQ on the marketing outcomes is stronger than the effect of each individual dimension on the same outcomes. In fact, none of the dimensions taken individually affects customer satisfaction as much as EXQ. The effect of EXQ on SAT is 0.75 (Table 3) while the effect of the three dimensions on SAT ranges between 0.60 and 0.69 (first column of Table 4). The values in Table 4 are statistically significant.

Table 3 Explanatory power EXQ

	Customer Satisfaction (SAT)	Loyalty (LOY)	Word-of-Mouth (WOM)
EXQ	0.75	0.63	0.64

Similar results can be found when considering loyalty intentions (LOY) and word-of-mouth (WOM). The effect of EXQ on LOY is 0.63 while the individual effects range between 0.51 and 0.56. The effect of EXQ on WOM is 0.64 while the individual effects range between 0.48 and 0.57. These results support the third hypothesis, that is, modelling EXQ is better than directly linking customer perceptions to marketing outcomes as individual items.

Table 4 Correlation EXQ dimensions and marketing outcomes

Dimensions	SAT	LOY	WOM
BEX	0.60	0.51	0.48
SPE	0.69	0.53	0.57
PPE	0.61	0.56	0.57

As a further test of the validity of the general research model (Figure 2), the statistical significance of the statistical model (Figure 3) was measured based on the outer loadings, composite reliability (CR), average variance extracted (AVE), and the goodness of fit (GOF). The results are reported in Table 5, Table 6 and Table 7. The results confirm the validity of our model.

Table 5 EXQ outer loadings

Dimension	Item	Outer loadings EXQ
<i>Brand Experience (BEX)</i>	GUA	0.27
	INA	0.74
	LOC	0.29
	POR	0.58
<i>Service (Provider) Experience (SPE)</i>	FLE	0.58
	NGU	0.32
	POM	0.62
	PRE	0.72
	RES	0.51
<i>Post Purchase Experience (PPE)</i>	CON	0.64
	PRC	0.67
	RVT	0.60

Table 6 EXQ Construct reliability and validity

		Items	Outer loadings	CR	AVE	GOF
Dimensions of customer experience	BEX	GUA	0,28	0,67	0,37	0,14
		INA	0,84			
		LOC	0,42			
		POR	0,72			
	SPE	FLE	0,66	0,76	0,4	0,2
		NGU	0,44			
		POM	0,71			
		PRE	0,8			
		RES	0,46			
	PPE	CON	0,77	0,82	0,6	0,26
		PRC	0,83			
		RVT	0,73			

Table 7 Marketing outcomes reliability and validity

		Items	Outer loadings	CR	AVE	GOF
Marketing outcomes	SAT	SAT1	0,86	0,92	0,69	0,4
		SAT2	0,88			
		SAT3	0,86			
		SAT4	0,78			
		SAT5	0,76			
	LOY	LOY1	0,75	0,72	0,26	0,1
		LOY2	-0,59			
		LOY3	0,64			
		LOY4	0,72			
		LOY5	0,57			
		LOY6	0,29			
		LOY7	0,59			
		LOY8	0,54			
		LOY9	0,46			
		LOY10	0,38			
		LOY11	0,4			
		LOY12	0,1			
		LOY13	0,15			
	WOM	WOM1	0,93	0,96	0,88	0,37
		WOM2	0,95			
		WOM3	0,93			

Discussion

Our findings have multiple theoretical and managerial implications. First of all, they increase our understanding of how customer experience (CE) can be defined and measured. This improvement builds a foundation for banks to improve CE management programs and design effective CE strategies. Our study contributes to the proper definition and measurement of CE and demonstrates that CE can be effectively modelled as a *continuum*. It identifies a set of items and perceptions related to each stage of the customer-bank interaction. The dimensions of brand, service, and post-purchase experience effectively explain the perceived quality of CE. The combination of the three dimensions, rather than the addressing of each dimension individually, has a significant and positive effect on customer satisfaction, loyalty, and word-of-mouth. We therefore demonstrate that customers' perceptions of their experience quality determine marketing outcomes and, in turn, a bank's performance.

The findings of our research also provide further empirical validation of the EXQ constructs. The support found for our hypothesis—that modelling EXQ is better than directly linking perceptions to outcomes—demonstrates EXQ's ability to capture multiple aspects of the customer-company relationship. Therefore, EXQ can be considered a more comprehensive measure of CE.

Based upon our findings we define CE as follows:

Customer experience is the customers' dynamic continuous evaluation process of their perceptions and responses to direct and indirect interactions with providers and their social environment pre-, during and post-purchase and/or consumption of the offering at any given point in time. Firms recognize customer experience as a strategic priority and its practice aims at managing this Customer Experience Continuum (CEC) in order to increase their financial performance.

This study has several managerial implications, particularly for designing effective CE strategies. Based on our data analysis, we posit several recommendations for the managers of BPB.

1. Focus CE strategy on the continuum, and not on single encounters.

Our findings show that all direct and indirect company-customer interactions are crucial over the pre-purchase (BEX), purchase (SEP), and post-purchase (PPE) phases of CE. Customers expect high levels of service from BPB during all moments of contact with the company. Subsequently, actions that aim to improve only one step of CE are likely to insufficiently deliver the experiences desired by the customers. This is a major risk for firms using only traditional customer quality and satisfaction measures. Every direct and indirect interaction with the bank affects the customers' perception of quality and, therefore, it is important to improve all interactions as parts of a *continuum*.

2. Customize marketing actions to the customer's state.

Measuring EXQ provides the bank with the ability to calibrate marketing actions to specific phases in a customer's purchasing process. BPB can now deliver the right action at the right moment. For instance, if a customer is in the pre-purchase stage, BPB should deliver messages to enhance the most important perceptions corresponding to this stage, such as guarantees on capital (GUA), the independence of advice (INA), the importance of the 'local' nature of the bank (LOC), and the idea that the bank will take care of other products as well (POR). Customers in the purchasing stage require different experiences, such as personnel flexibility (FLE), the delivering of guidance (NGU), expertise (POM), demonstration of care (PRE), and the ability to identify the customer's needs (RES). Customers in the post-purchasing phase desire a focus on their personal relationships (CON), so the bank needs to demonstrate how easy their processes are in comparison to those of other banks (PRC) and

acknowledge the importance of future transactions over the whole customer life cycle (RVT). Incorrect alignments between marketing actions and customers' stages in the consumption process may lead to unfavourable customer behaviour and inferior marketing performance.

3. Integrate different organisational units.

All organisational units contributing to the CE need to be integrated into the CE program. Often, different teams or units manage customers at different stages. For example, decisions related to the pre-purchase phase are highly influenced by the marketing activities of the bank. Customer-facing personnel are the key contact points for customers in the purchasing stage, while customer service officers deal with problems arising in the post-purchase phase. Although it is obviously important to let the organisational units of a bank specialise in their respective areas of competence, designing an effective CE strategy definitely requires integrating the efforts of all staff members in dealing with customers and making individual units aware of a customer's current stage and the experiences required.

4. Allocate marketing and communication budget according to customers' individual CE stage.

Based on our findings, we submit that CE improvement budgets need to be allocated according to customers' individual stages. For BPB, our data analysis revealed that the service experience during a transaction (SPE) is the key driver in explaining how customers assess their experience. Our model also provides the bank with a quantitative evaluation of the relative importance of individual factors. Based on these results, the bank can assess its marketing and communication budget allocation.

5. Measure the effects of actions on CE and improve the strategy accordingly.

EXQ has proven to be a reliable predictor for the effects of a marketing campaign on the different moments in a consumption process and, in turn, on marketing performance. We therefore suggest measuring EXQ constantly in a longitudinal way, which would allow BPB to monitor the effectiveness of marketing actions and correct possible mistakes.

Conclusion

The rapid evolution in marketing focus, from product to service and now to customer experience (CE), has challenged market researchers and managers to measure CE and design effective strategies to improve it. The concept of customer experience is far broader and less bordered than those of product or service quality. Therefore, its measurement is far more

complex. Extant research has not yet precisely defined CE; however, this study makes several contributions toward this issue. First, it enhances our understanding of what constitutes CE, and proposes that it be modelled in a dynamic fashion as a *continuum*. Second, it provides further empirical validation of the customer experience quality (EXQ) scale and construct in the banking industry context. Third, it measures the impact of EXQ on the main marketing outcomes and discusses some managerial implications for the design of CE strategies.

CE can be modelled as a *continuous* customer-company interaction. This conceptualisation makes it possible to study customers' perceptions before, during, and after a purchase. It enables the use of a set of items representing the customers' experience quality perceptions over this *continuum*. These items have been proven to have a significant and positive impact on EXQ. EXQ has also been shown to have a significant and positive effect on the main marketing outcomes of customer satisfaction, loyalty intentions, and word-of-mouth. Moreover, modelling EXQ is more effective than linking customers' perceptions of experience directly to marketing outcomes. It is important to point out that in the case study analysed in this research, the three stages of the customer interaction with the bank (before, during, and after the purchase) turned out to be almost equally important. This demonstrates the importance of modelling CE as a *continuum* rather than as the sum of individual parts. If customers perceive their experience as a series of equally important encounters, banks should measure CE and its impact on performance accordingly, rather than focusing on single encounters.

These results have significant managerial implications. First, banks should focus their respective CE strategies on the *continuum* rather than on single encounters. Second, banks should tailor marketing actions to the specific stage in the CE process that a customer is in. Third, different organisational units interacting with customers should be integrated under the CE strategy. Fourth, the marketing and communication budgets should be allocated according to the CE analysis. Finally, defining CE as a *continuum* allows companies to continuously monitor and improve the experience of their customers.

Table 1. Definitions of EXQ attributes after the confirmatory factor analysis

Dimension	Item	Definition
<i>Brand Experience (BEX)</i>	GUA	I want to have a guaranteed capital, a guaranteed investment.
	INA	I choose them because they give independent advice.
	LOC	It is important to me that the company I am dealing with is “local”.
	POR	It was important to me that the bank also took care of all the other products I needed.
<i>Service (Provider) Experience (SPE)</i>	FLE	It was important that the bank was flexible in dealing with me and looking out for my needs.
	NGU	I did not receive any guidance and as a result I will look for someone else in the future.
	POM	I am confident in their expertise, they know what they are doing.
	PRE	It was important to me that the bank also took care of all the other products I needed.
	RES	It was more important to get what I needed than to shop around for a better rate.
<i>Post Purchase Experience (PPE)</i>	CON	I am already a customer; they know me and take good care of me, there is no need for me to go somewhere else.
	PRC	Yes, there are other banks, but I would rather stay with mine, it makes the process much easier.
	RVT	It is not just about the now; this bank will look after me for a long time.

Table 2. Correlations between EXQ and the three dimensions (BEX, SPE, PPE)

	Brand Experience (BEX)	Service Experience (SPE)	Post-purchase Experience (PPE)
EXQ	0.61	0.69	0.66

Table 3. Explanatory power of EXQ on marketing outcomes (SAT, LOY, WOM)

	Customer Satisfaction (SAT)	Loyalty (LOY)	Word-of-Mouth (WOM)
EXQ	0.75	0.63	0.64

Table 4. Latent variables correlation between each dimension (BEX, SPE, PPE) and each marketing outcome (SAT, LOY, WOM)

Dimensions	SAT	LOY	WOM
BEX	0.60	0.51	0.48
SPE	0.69	0.53	0.57
PPE	0.61	0.56	0.57

Table 5. Outer loadings (attribute-EXQ)

Dimension	Item	Outer loadings EXQ
<i>Brand Experience (BEX)</i>	GUA	0.27
	INA	0.74
	LOC	0.29
	POR	0.58
<i>Service (Provider) Experience (SPE)</i>	FLE	0.58
	NGU	0.32
	POM	0.62
	PRE	0.72
	RES	0.51
<i>Post Purchase Experience (PPE)</i>	CON	0.64
	PRC	0.67
	RVT	0.60

Table 6 Construct reliability and validity (dimensions of CE)

		Items	Outer loadings	CR	AVE	GOF
Dimensions of customer experience	BEX	GUA	0,28	0,67	0,37	0,14
		INA	0,84			
		LOC	0,42			
		POR	0,72			
	SPE	FLE	0,66	0,76	0,4	0,2
		NGU	0,44			
		POM	0,71			
		PRE	0,8			
		RES	0,46			
	PPE	CON	0,77	0,82	0,6	0,26
		PRC	0,83			
		RVT	0,73			

Table 7 Construct reliability and validity (marketing outcomes)

		Items	Outer loadings	CR	AVE	GOF
Marketing outcomes	SAT	SAT1	0,86	0,92	0,69	0,4
		SAT2	0,88			
		SAT3	0,86			
		SAT4	0,78			
		SAT5	0,76			
	LOY	LOY1	0,75	0,72	0,26	0,1
		LOY2	-0,59			
		LOY3	0,64			
		LOY4	0,72			
		LOY5	0,57			
		LOY6	0,29			
		LOY7	0,59			
		LOY8	0,54			
		LOY9	0,46			
		LOY10	0,38			
		LOY11	0,4			
		LOY12	0,1			
		LOY13	0,15			
	WOM	WOM1	0,93	0,96	0,88	0,37
		WOM2	0,95			
		WOM3	0,93			

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Appendix

Survey used in the EXQ measurement development

The survey included questions on demographics and customer perceptions. The demographics questions had multiple choices for answers, and the responders could choose one answer (or more, in some cases). The questions on customer perceptions included 34 items related to customer experience and 21 items related to marketing outcomes. Responders had to use a 7-point scale (1 = strongly disagree, 7 = strongly agree) with an additional “Do not know/Not applicable” option next to the scale.

Demographic Factors:

Age:

- Under 18
- 18 – 24
- 25 – 34
- 35 – 44
- 45 – 54
- 55 – 64
- 65 +

Gender:

- Male
- Female

Household Income in €:

- Up to 10,000
- 10,001 to 19,999
- 20,000 to 29,999
- 30,000 to 39,999
- 40,000 to 49,999
- 50,000 to 74,999
- 75,000 to 99,999
- 100,000 to 250,000
- 250,000 and above

Education:

- Postgraduate qualification
- Bachelor’s degree (BA, BSc, etc.)
- Professional qualification (degree equivalent)
- Higher national diploma level
- National diploma level
- Diploma level
- No educational qualifications

Length of Relationship with the Bank:

- Less than 2 years
- 2-3 years
- 3-5 years
- 5-10 years

- Longer than 10 years

Portfolio:

Which of the following products do you have with the bank?

- Checking and/or savings account
- Bonds
- Stocks
- Mutual funds
- Credit cards
- Mortgages
- Personal loans
- Lines of credit

Expertise:

Do you use multiple banks and professional advisors for your financial affairs?

- Yes
- No

34 items related to the perception of Customer Experience:

1. I became a customer of this bank because it was recommended to me.
2. All I care about is which bank gives me the best financial conditions (rates) for what I need.
3. I would much rather deal with someone face-to-face than over the phone, especially in financial matters.
4. It would be great if I could deal with one designated sales rep throughout my relationship with the bank.
5. I do not choose banks based on rates alone. There are other important factors, like time and effort.
6. It is important to me that the company I am dealing with is 'local'.
7. I want to choose between different options to make certain I get the best offer.
8. It is more important to get what I need than to shop around for a better rate.
9. I have dealt with this bank before so getting what I needed was really easy.
10. While there are other banks, I would rather stay with mine, because it makes the process much easier.
11. I do not care about a relationship with this company. I just want the best rate.
12. I stay with my bank because I am not confident about using another one.
13. It is important to me that the company I am dealing with has a good reputation.
14. It is important that I am kept informed about what is going on throughout my dealings with the bank.
15. It is important that the bank is sincere and explains investment products in detail, making them transparent to me.
16. It is important that the bank keeps me up-to-date and informs me about new options.
17. It is important that the sales reps know what I am going through and can relate to it.
18. Dealing with different forms and different people is not really 'customer-friendly'.
19. I choose different banks for different products to spread the risk.
20. I want to have guaranteed capital and a guaranteed investment.
21. The whole banking process is so easy. This bank takes care of everything.
22. The way the bank deals with me when things go wrong determines whether I stay with it.
23. It is important that the bank's staff guides me throughout the whole banking process.
24. It is important that the people that I deal with are good people, who listen, are polite, and make me feel comfortable.
25. I am already a customer of this bank. They know me and take good care of me, so there is no need for me to go somewhere else.
26. It is not just about the now. This bank will look after me for a long time.
27. I will not do business with pushy salespeople.
28. It is important that the bank is flexible in dealing with me and looking out for my needs.
29. I choose this bank because it gives independent advice.
30. I want to deal with a safe company because this involves my money.
31. I have not received any guidance from this bank, and as a result, I will look for someone else in the future.
32. I am confident in this bank's expertise. It knows what it is doing.
33. It is important to me that a bank takes care of all of the products that I need.
34. If the advisor changes company, I will consider moving my accounts with him/her.

21 items related to marketing outcomes:

1. My feelings toward the bank are very positive.
2. I feel good about coming to this bank for my financial affairs.
3. Overall, I am satisfied with this bank and the service that it provides.
4. I feel satisfied that the results of the bank's services are the best that can be achieved.
5. I am satisfied with the extent to which my products have produced the best possible outcomes.
6. I do all of my business with this service provider when I need this type of service.
7. I sometimes give my business to another service provider when I need this type of service.
8. I deal exclusively with this service provider.
9. I say positive things about this bank to other people.
10. I would recommend this bank to someone who seeks my advice.
11. I would encourage friends and relatives to do business with this bank.
12. I consider this bank the first choice for my banking services.
13. I plan to do more business with this bank over the next few years.
14. I plan to do less business with this bank over the next few years.
15. I plan to take some of my business to a competitor that offers better pricing than this bank.
16. I will continue doing business with this bank even if their prices increase slightly.
17. I pay a higher price than competitors charge for the benefits that I currently receive from this bank.
18. I would switch to a competitor if I experienced a problem with this bank's services.
19. I would complain to other customers if I experienced a problem with this bank.
20. I would complain to higher authorities if I experienced a problem with this bank and its services.
21. I would complain to the bank's employees if I experienced a problem with this bank.